GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:4875
ANSWERED ON:20.12.2002
INDIAN DIRECT SELLING ASSOCIATION
SUBODH MOHITE

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Government have received any proposal from Indian Direct Selling Association to enact legislation to weed out fraudulent elements from direct sellers;

(b) if so, the details thereof;

(c) the reaction of the Government thereon; and

(d) the effective measures proposed to be taken by the Government to save the interest of consumers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (SHRI V. SREENIVASA PRASAD)

(a) to (d): Yes Sir.

Proposals were received from the Indian Direct Selling Association as well as M/s Frontier Trading etc., requesting to enact a separate legislation to cover direct selling/multi-level marketing/network marketing. The main contention of the representation was that members of Direct Selling Association are being targeted due to the vagueness of the "Prize Chits and Money Circulation Scheme (Banning) Act, 1978", in distinguishing between Prize Chits Funds, and genuine agencies involved in direct marketing.

This matter was examined in detail in consultation with concerned Ministries. The need for a separate legislation was not felt in view of the fact that there are adequate provisions available in the Sale of Goods Act, 1930, (for regulating the sale of goods); the Indian Contract Act, 1872 (for the sale of services) and the Consumer Protection Act, 1986 (to promote and protect the rights of the consumers). The provisions of the Prize Chits and Money Circulation Scheme (Banning) Act, 1978 seek to ban the promotion or conduct of Prize Chits and Money Circulation Schemes.The provisions of this Act had come up for scrutiny before the Hon'ble Supreme Court of India who have ruled that the "Network Marketing Plan" anddirect sale of goods and services by the direct selling companies do not fall within the mischief of the aforesaid Act.